

**Dow L. Campbell**  
Attorney



539 South Main Street  
Findlay, OH 45840-3295  
Direct No. 419/421-4121  
Main No. 419/422-2121  
Facsimile 419/427-3681  
E-mail: DLCampbell@MarathonOil.com

June 5, 1998

*Via Overnight Mail*

David S. Guzy  
Chief, Rules and Publications Staff  
Royalty Management Program  
Minerals Management Service  
Building 85, Denver Federal Center  
Denver, Colorado 80225

**Re: MMS Proposed Rulemaking  
30 CFR Parts 210 and 216  
Electronic Reporting**

Dear Mr. Guzy:

As requested in the above referenced MMS Proposed Rulemaking published in the April 8, 1998 Federal Register (Vol. 63, No. 67, pages 17133-17138), the following are Marathon Oil Company's comments.

**Background**

Marathon currently uses two payor codes to report royalty on sales, minimum royalty and rentals to the MMS using Form MMS-2014. Under payor code 37312, Marathon reports royalty on sales via Magnetic Tape (Option b-4 under part 210.20 of Proposed Rule) and the associated payments are made via wire transfers using the Fedwire Deposit System. From time to time, hard copies of the Form MMS-2014 are used to make miscellaneous adjustments not included on the Magnetic Tape. Also, from time to time, royalty adjustments resulting from audit issues or transportation adjustments are reported manually on "green" and "pink" Form MMS-2014's, accompanied by hard copy checks.

Under payor code 37315, Marathon reports minimum royalty and rental on non-terminable leases via a hard copy of the Form MMS-2014, and the associated payments are made via hard copy checks. The Form MMS-2014 and the checks are mailed together to the MMS. Occasionally, the MMS notifies Marathon of underpaid rental or minimum royalty. The appropriate adjustments are reported manually on a "green" Form MMS-2014 and accompanied by a hard copy check.

Rentals on terminable leases are paid under payor code 02034 by individual hard copy checks accompanied by the MMS supplied "courtesy notices". This type of rental is never reported on the Form MMS-2014.

Mr. David S. Guzy  
June 5, 1998  
Page 2

**Comments of Proposed Rulemaking**

For royalty currently reported via Magnetic Tape (i.e. payor code 37312), Marathon will continue to use this option. The Magnetic Tape option is listed as option b-4 under part 210.20 Electronic Reporting of the proposed rule. For the miscellaneous adjustments currently reported on hard copies of the Form MMS-2014, or for audit adjustments and transportation adjustments, Marathon will probably use option b-3 (Reporter-Prepared Diskette; 3½ inch) under part 210.20. If a free form layout is allowed using existing spreadsheet software (i.e. Microsoft Excel), it is anticipated that it will take closer to the 7 minutes per line that the MMS estimated would be necessary to complete paper submissions. The 7 minutes per line would include the time necessary to assemble data, calculate value and royalty, and enter data on the spreadsheet. The MMS estimate of 2 minutes to complete each line electronically could only be realized if such data were systematically loaded on the spreadsheet and then to a Reporter-Prepared Diskette. This systematic loading of data could occur only after a substantial amount of "front-end" design and systems work.

Marathon is still reviewing the options for the electronic reporting of minimum royalty and rentals, and the related electronic funds transfers. Since Marathon currently has an electronic royalty reporting system (i.e. the Magnetic Tape), electronically reporting the minimum royalty and rentals may not take too much "front-end" systems work. In regard to the electronic funds transfers associated with the minimum royalty and rentals, the related costs is dependent on the flexibility of the MMS to accept a minimum amount of systematically available data with the electronic funds transfer. If the MMS requires data that is not currently captured systematically, then the "front-end" costs of developing electronic funds transfers could be substantial.

If the Electronic Reporting proposed rule is finalized, it is not clear how much time the payors will be given to make the appropriate system changes, have reports approved, sign electronic commerce agreements, etc. The 90 days allowed for a new reporter, as noted in part 210.20(f) would appear to be inadequate for initial development and implementation.

In part 210.52, it is mentioned that "you must submit a completed Report of Sales and Royalty Remittance (Form MMS-2014) *with* all payments to MMS for royalties and, where specified, for rents on nonproducing leases". It is unclear what is intended by the word "with" in this sentence. Can the Form MMS-2014 be submitted electronically independent of any associated funds that are submitted electronically? For example, can the a magnetic tape be submitted via mail and the funds transferred via a wire transfer?

We would like to thank you for the opportunity to comment on this Proposed Rulemaking. Marathon is looking forward to working with the MMS to develop an electronic reporting and funds transfer system that is both cost effective and efficient for all parties. If you have any questions on the above please do not hesitate to contact Don Coleman at 419-421-3815.

Sincerely,



Dow L. Campbell